

Office of the Attorney General



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FOR IMMEDIATE RELEASE

Arizona Attorney General Terry Goddard today sent the following letter to six Western states Attorneys General inviting them to join his effort to address the problem of rising gas prices in this region.

Included in this packet is a copy of the letter sent to U.S. Energy Secretary Spencer Abraham.

February 26, 2004

The Honorable Greg Renkes
Attorney General of Alaska
Post Office Box 110300
Diamond Courthouse
Juneau, AK 99811-0300

The Honorable Christine O. Gregoire
Attorney General of Washington
1125 Washington Street, SE
P.O. Box 40100
Olympia, WA 98504-0100

The Honorable Brian Sandoval
Attorney General of Nevada
Old Supreme Court Building
100 North Carson Street
Carson City, NV 89701-4717

The Honorable Hardy Myers
Attorney General of Oregon
Department of Justice
1162 Court Street N.E.
Salem, OR 97301-4096

The Honorable Mark J. Bennett
Attorney General of Hawaii
425 Queen Street
Honolulu, HI 96813

The Honorable Bill Lockyer
Attorney General of California
1300 I Street, Suite 1740
Sacramento, CA 95814

Dear Attorneys General:

Gasoline prices appear to be artificially high in the West, especially during the "transition" periods between winter and summer blends. There appears to be a serious problem with how the gasoline industry plans, refines and distributes gasoline throughout the Western states.

The oil industry does not appear to be capable of planning for and executing this scheduled inventory change. Price increases far above the national average affect all Western states, even those regions and states that do not change blends during the year. This problem is becoming a regular pattern, with tremendous price increases in Arizona and other Western states over the past few years.

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Incredibly, refineries have actually stopped production during the transition period, purportedly due to fires or technical problems, creating additional supply shortages.

I invite you to join me in addressing this problem. I believe this is both a federal and regional issue, requiring cooperation among the states and federal government. I hope you can join me in calling on United States Energy Secretary Abraham to convene a joint federal-state task force to investigate the situation (see attached letter).

I believe the best means of addressing this issue is to engage a broad, aggressive task force, with cooperation between Western states and federal agencies (including the Department of Energy and Environmental Protection Agency), to investigate the situation and prepare recommendations to address the inequities experienced by Western states' consumers.

Please join me in requesting that Secretary Abraham, together with other federal agencies, including EPA, 1) convene a joint federal-state task force to investigate the Western states' gasoline market; 2) investigate the gasoline refining policies and procedures in the West; and 3) make recommendations on how to manage the transition period so it cannot continue to be an excuse to pillage Western gas consumers.

Sincerely,

Terry Goddard
Arizona Attorney General

February 26, 2004

The Honorable Spencer Abraham
Secretary, United States Department of Energy
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Dear Secretary Abraham:

I write to ask for your immediate help addressing a recurring problem—the exorbitant gasoline price increases consumers in Arizona and other western states experience each year during the months of February and March. The problem happens during the “transition” period to alternate blends of gasoline and stems from the apparent inability of oil companies and refineries supplying our gas to properly and adequately plan for a known and regularly scheduled change in inventory.

The evidence clearly shows that these practices lead to yearly price increases for Arizona consumers that significantly exceed any other increase in the national average price. As an example, the price of gasoline in Phoenix increased from \$1.56 to \$1.77 between January 19 and February 19, 2004, a 13.5 percent jump in one month. By contrast, the national average price during this period went from \$1.59 to \$1.64, an increase of only 3 percent. The price differential between Phoenix and the national average went from negative 3 cents in January (Phoenix was lower than the national average in January) to positive 13 cents in February. This is the same relative pattern experienced last year as well.

Reports from your office and those from industry experts link the price increases in part to seasonal changes in inventories as “. . . terminals clear out winter-grade gasoline in order to make room for summer-grade gasoline.”¹

While I recognize your Department does not directly regulate oil refinery production, it does have responsibility for ensuring the nation’s strategic energy supplies, as well as their optimal and environmentally safe use. Overseeing safe and adequate supplies of gasoline in western states fits within this mission. Perhaps something as simple as allowing a week or longer to phase in the new product could greatly reduce or eliminate the price spikes which Arizona consumers are suffering.

I therefore, call on your office to (1) form a task force to investigate this situation and prepare recommendations to erase these inequities; and (2) investigate gasoline refinement policies in the West.

Sincerely,

Terry Goddard
Arizona Attorney General

¹Energy Information Administration, February 19, 2004. *This week in petroleum*. United States Department of Energy, viewed on the word wide web at <http://www.eia.doe.gov/>, February 19, 2004.